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Security Council

Sixty-fifth year

Provisional

6293rd meeting

Tuesday, 6 April 2010, 10 a.m.

New York

President:	Mr. Takasu	(Japan)
Members:	Austria	Mr. Ebner
	Bosnia and Herzegovina	Mr. Barbalić
	Brazil	Mrs. Viotti
	China	Mr. Long Zhou
	France	Mr. De Rivière
	Gabon	Mr. Issoze-Ngondet
	Lebanon	Mr. Salam
	Mexico	Mr. Heller
	Nigeria	Mr. Onowu
	Russian Federation	Mr. Dolgov
	Turkey	Mr. Apakan
	Uganda	Mr. Rugunda
	United Kingdom of Great Britain and Northern Ireland	Mr. Parham
	United States of America	Ms. Rice

Agenda

The situation concerning Iraq

First report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009) (S/2010/166)

Letter dated 18 March 2010 from the Permanent Representative of Iraq addressed to the President of the Security Council (S/2010/153)

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The meeting was called to order at 10.05 a.m.

Expression of thanks to the retiring President

The President: As this is the first meeting of the Security Council for the month of April, I should like to take this opportunity to pay tribute, on behalf of the Council, to His Excellency Mr. Emanuel Issoze-Ngondet, Permanent Representative of Gabon, for his excellent stewardship as President of the Security Council for the month of March 2010. I am sure I speak for all members in expressing deep appreciation to Ambassador Issoze-Ngondet and his able team for their productivity and the great diplomatic skill with which they conducted the Council's business last month. We are very grateful to them.

Also, as this is the first time that the Council is meeting in this new temporary Chamber, I should like to say that there may be some inconveniences for members of the Council and for those attending meetings. But I hope we will make the best use of this arrangement.

Adoption of the agenda

The agenda was adopted.

The situation concerning Iraq

First report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009) (S/2010/166)

Letter dated 18 March 2010 from the Permanent Representative of Iraq addressed to the President of the Security Council (S/2010/153)

The President: I should like to inform the Council that I have received a letter from the representative of Iraq, in which he requests that Mr. Abdul Basit Turky Saed, head of Iraq's Committee of Financial Experts, be invited to participate in the consideration of the item on the Council's agenda. In conformity with the usual practice, I propose, with the consent of the Council, to invite Mr. Turky Saed to participate in the consideration of the item, without the right to vote, in accordance with the relevant provisions of the Charter and rule 37 of the Council's provisional rules of procedure.

There being no objection, it is so decided.

At the invitation of the President, Mr. Turky Saed (Iraq) took a seat at the Council table.

The President: In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council also agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. Jun Yamazaki, Controller of the United Nations.

It is so decided.

I invite Mr. Yamazaki to take a seat at the Council table.

I welcome Mr. Turky Saed and Mr. Yamazaki to the Council.

The Security Council will now begin its consideration of the item on its agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

I would like draw the attention of Council members to document S/2010/166, which contains the first report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009), as well as to document S/2010/153, which contains the text of a letter dated 18 March 2010 from the Permanent Representative of Iraq addressed to the President of the Security Council.

At this meeting, the Security Council will hear two briefings, first from Mr. Turky Saed and, subsequently, from Mr. Yamazaki. I now give the floor to Mr. Turky Saed.

Mr. Turky Saed (Iraq) (*spoke in Arabic*): The Government of Iraq has submitted to the Security Council its report pursuant to paragraph 5 of resolution 1905 (2009) (see S/2010/153). The Secretariat has distributed copies of the report to Council members. The resolution stipulates that the report should address three elements: establishment of an action plan and timeline for transition from the Development Fund for Iraq to an alternative system; settlement of debts and claims inherited from the previous regime; and an assessment of the progress made in strengthening financial and administrative oversight of the Fund.

The Iraqi Government has set up an action plan and timeline for the transition from the Development Fund for Iraq to alternative arrangements, with a view to ensuring the transition, by 31 December 2010, to a successor mechanism that includes external audit

arrangements and that enables Iraq to honour its commitments as stipulated in paragraph 21 of resolution 1483 (2003). The main elements of this action plan involve maintaining the same mechanisms currently adopted for the Development Fund for Iraq by using bank accounts opened at the Federal Reserve Bank in New York to ensure central deposit of the proceeds from the sale of oil, petroleum products and natural gas, as an alternative to the Oil Proceeds Receipts Account, while continuing the automatic deposit of compensation, as provided for in paragraph 21 of the resolution just mentioned and in subsequent other relevant resolutions. The Ministry of Finance has exclusive authority over the account for the deposit of oil and gas proceeds once the compensation percentage has been deducted.

The Committee of Financial Experts will take over from the International Advisory and Monitoring Board with respect to supervising the flow of cash to the special account, in accordance with the rules of procedure already approved by the Iraqi Council of Ministers. These rules cover, inter alia, the Committee's power to appoint an international auditing institution to audit the account and carry out follow-up work, to approve the results of the audits and the final spreadsheets for the account, for each financial period; to follow up on comments in the oversight reports; and to publish all relevant data, the Committee's meeting records and follow-up reports on its website for access by all Governments.

The Iraqi Government's report includes an annex setting out the timeline for the successor mechanism in the run-up to its formation and the start of its work.

Iraq is undoubtedly concerned that, should the Fund be closed on 31 January 2011, immunity for Iraqi funds deposited abroad might be lifted.

The Government report analyses the action plan for the settlement of debts and claims of the previous regime in 2010. The total outstanding debt was $129 billion, of which we have settled $89.222 billion; $39 billion remains, including $26 billion to the Cooperation Council for the Arab States of the Gulf. The Paris Club agreement was the most important debt settlement agreement, through which we have settled more than $51 billion in debt. There were 55 creditor States outside the Paris Club, and we have succeeded in reaching settlements with them under conditions similar to those agreed on with the Paris Club, apart from 13 States, including those of the Gulf Cooperation Council. Efforts are under way to reach similar settlements with them.

Concerning commercial creditors, settlements have been concluded with 576 creditors, in the amount of $20.9 billion. This process continues with other creditors. Iraq expresses its appreciation to the remaining creditors whose debts, totalling $629 million, have yet to be settled.

The Iraqi Government has reaffirmed its commitment to settle all debts and claims from the previous regime and to continue to address the issue until it is completely resolved. We hope that the international community will continue its assistance until the Iraqi Government has completed its efforts in that regard.

Concerning follow-up to the international auditing companies' reports by the Committee of Financial Experts, and the contacts with the compensation office in Geneva — given the Iraqi Government's constant commitment to international resolutions and given that the Committee has noted a genuine interest in resolving these cases — the Committee believes that it is high time for the Security Council, given its legal and moral authority and the active role played by its members, to help press the relevant parties to reconsider the remaining compensation imposed on Iraq. Because Iraq's economic infrastructure has been completely destroyed, it would be fair to at least consider applying the Paris Club settlement principle adopted by the international community to remaining compensation.

The Iraqi people have suffered enormously, but they have nonetheless been involved in taking decisions about their future. The Committee trusts that international resolutions will be fair and will not obstruct a review of past resolutions on these matters.

Without the support of the international community, it would not have been possible to make the reimbursements that we have made. To resolve the problem fully, that support should continue in the future. The Committee of Financial Experts, in particular following the adoption of resolution 1905 (2009), has monitored these Iraqi Government efforts. Given that the amounts owed by Iraq are exorbitant, representing more than half its annual budget, and given that 2010 has been a year that has seen legislative elections on the basis of which consultations

on the formation of a Government are likely to drag on for months, we consider that ensuring continued immunity, though an international resolution, could be a step forward by the Security Council towards resolving this problem.

In order to objectively evaluate progress in State oversight, the Iraqi Government has established a set of quantifiable goals. Attaining these could result in significant development of the administrative and financial audit system. Details may be found in the Government's report.

Let me note also that with regard to the measurement and metering system for the production, distribution and export of crude oil, the Board's discussions have underscored that all oil exports have been registered in the Oil Proceeds Receipts Account since the end of the barter system of oil for electricity in 2007 and for the export of oil products in the second half of 2009. Furthermore, in setting up the system of auditors, we hope to adapt our criteria to our work on the ground. We hope to have this done by 2011. We have established all-ministry specialized committees to address the tasks necessary to providing a detailed audit. The committees are pursuing these efforts.

In the report to be presented by 1 July 2010, pursuant to the provisions of resolution 1905 (2009), the Committee of Financial Experts will seek to provide the Security Council with information on the system's success rate.

The President: I thank Mr. Turky Saed for his very comprehensive briefing.

I now give the floor to Mr. Yamazaki.

Mr. Yamazaki: I thank you, Sir, for the opportunity to apprise the Council on progress made in strengthening financial and administrative oversight of the current Development Fund for Iraq; on the legal issues and options to be considered for implementing successor arrangements; and on the assessment of the Government of Iraq's progress in preparing for the successor arrangements for the Fund, as presented in the Secretary-General's report (S/2010/166), pursuant to paragraph 3 of resolution 1905 (2009).

With regard to the first issue — the activities of the Fund and the International Advisory and Monitoring Board — in its meeting in Vienna on 22 and 23 July 2009, the Board called for the timely monthly publication of the Fund's financial statements on the website of the Committee of Financial Experts. I am pleased to note that the Committee has published monthly summaries of the Fund's cash inflows and outflows on its website.

In the absence of a fully operational comprehensive oil-metering system, it is not possible reliably to determine the volume of all export sales of petroleum, petroleum products and natural gas from Iraq, for which proceeds are to be deposited in the oil proceeds receipts account and the Development Fund for Iraq accounts. In this respect, I am pleased to report that the Government of Iraq has finalized a time-bound action plan to implement a fully operational comprehensive oil-metering system. The action plan and the implementation status are available on the websites of the International Advisory and Monitoring Board and Committee of Financial Experts. I welcome the detailed update from the Committee and strongly urge the full implementation of the action plan, as envisaged by the Government of Iraq.

I now turn to the legal issues and options relating to the successor arrangements for the Development Fund for Iraq. First, with respect to the Iraq escrow account and other transfers to the Development Fund, once all outstanding activities under the oil-for-food programme are concluded, and taking into account issues mentioned in the Secretary-General's report, all other remaining funds should be transferred from the Iraq escrow account to the Fund. While the processing of the authentication documents has been slow, as reported in the Secretary-General's status report to the President of the Security Council of 1 May 2009 (S/2009/230) and the report of the Secretary-General pursuant to paragraph 5 of resolution 1859 (2008) dated 27 July 2009 (S/2009/385), the number of outstanding letters of credit had been reduced significantly to 65 as of 31 March 2010.

Absent the receipt by the Secretariat of the requisite confirmation of arrival of goods in Iraq, the Security Council has the option of cancelling the remaining letters of credit with outstanding claims of delivery, subject to the provision by the Government of Iraq of a comprehensive indemnity with regard to all activities of the Organization, its representatives and agents in connection with the oil-for-food programme since its inception.

I now turn to the issue of obligatory payments to the United Nations Compensation Fund. It should be

recalled that, in paragraph 21 of resolution 1483 (2003), the Security Council decided not only that 5 per cent of the proceeds of all export sales of petroleum, petroleum products and natural gas from Iraq should be deposited into the Compensation Fund, but also that "this requirement shall be binding on a properly constituted, internationally recognized representative Government of Iraq and any successor thereto". Therefore, it is important to ensure that the present mechanism is maintained or that an alternative, equally effective mechanism is established to ensure the payment into the Compensation Fund.

I now turn to the issue of the privileges and immunities of the Development Fund for Iraq. From its inception in 2003, it was clearly understood that the Fund would enjoy such privileges and immunities for a limited and specified period of time. Therefore, once the Fund becomes a fully nationally owned and controlled fund, unless otherwise decided by the Security Council it will cease to enjoy such privileges and immunities.

I now turn to the issue of the dissolution of the International Advisory and Monitoring Board. Further to the extension of its mandate through 31 December 2010 in resolution 1905 (2009), and in accordance with section 9 B of the revised terms of reference of the Advisory Board, "arrangements will be made for the prompt dissolution of the International Advisory and Monitoring Board no later than 31 December 2010".

Lastly, I will turn to the assessment of the progress of the Government of Iraq in preparing for the successor arrangements for the Development Fund for Iraq. The action plan and timeline, as presented by the Government of Iraq, are realistic, and I am pleased that the Government of Iraq plans to select an independent international auditor to confirm that all proceeds of export sales of petroleum, petroleum products and natural gas from Iraq are accounted for. Furthermore, I note that the Government of Iraq, in its first quarterly report to the Security Council, acknowledges its obligations towards the Compensation Fund pursuant to paragraph 21 of resolution 1483 (2003).

As I mentioned earlier during this briefing, the Committee of Financial Experts has finalized a time-bound action plan to implement a fully operational comprehensive oil-metering system, and I encourage the Government of Iraq to provide an update on this matter in its next quarterly report to the Security Council.

With regard to the details on the progress made in strengthening financial and administrative oversight of the current Development Fund for Iraq, I note that certain measures and goals have been included in the report submitted by Iraq. Furthermore, I note that the secretariat of the Council of Ministers will ensure that deadlines for the completion of these goals are met. I encourage the Government of Iraq to keep the Security Council informed and to include the update on the implementation in their next quarterly report to the Security Council.

Work remains to be done to fully implement the action plan, as presented by the Government of Iraq, for the transition to successor arrangements for the Development Fund for Iraq. I look forward to keeping the Security Council informed on progress made by the Government of Iraq in preparing for such arrangements.

This completes my briefing on the report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009). I would be happy to respond to any questions from members of the Council relating to the report.

The President: I thank Mr. Yamazaki for his briefing. The two briefings, by Mr. Turky Saed, from the Iraqi side, and by Mr. Yamazaki, from the Secretary-General's side, complement each other and will inform the Council's work.

In accordance with the understanding reached in the Council's prior consultations, I now invite Council members to informal consultations to continue our discussion on the subject.

The meeting rose at 10.35 a.m.